

**RULES PROCESSING TEAM**

**MAR 18 2002**

**Shell Exploration & Production Company**



Peter K. Velez  
Manager Regulatory Affairs

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March 13, 2002

Department of Interior  
Minerals Management Service  
Mail Stop 4024  
381 Elden Street  
Herndon, VA 20170-4817

Dear Sirs:

**SUBJECT: MMS PROPOSED RULE  
OUTER CONTINENTAL SHELF OIL AND GAS LEASING-CLARIFYING  
AMENDMENTS  
(February 12, 2002 Federal Register Page 6454)**

We appreciate the opportunity to submit comments on the subject proposed rule issued by MMS. As one of the largest leaseholders and producers in the Gulf of Mexico we are very interested in changes that may affect our portfolio.

We have reviewed the proposed rule and offer the following comments:

1. Since this is a rule change that may impact leases that have already been issued, we would like a clarification that it will only apply from the date in which the final rule is issued and prospectively from that date. Therefore, it should not impact existing production or leases that already have been issued (both Royalty Suspension Leases and Eligible Leases) prior to the final rule effective date.
2. We also want to make sure that in the case when a Royalty Suspension Lease assigned to an existing field with five Eligible Leases, and the production from the Eligible Leases starts first and it has reached the maximum volume of royalty free production prior to production from the Royalty Suspension Lease, that the Royalty Suspension lease is still eligible to receive its royalty free production volume as stated in the Lease Agreement.

Thank you for the opportunity to comment. If you have any questions on the above comments, please don't hesitate to call.

Yours very truly,

A handwritten signature in black ink, appearing to read "Peter Velez". The signature is fluid and cursive, with the first name "Peter" and last name "Velez" clearly distinguishable.

Peter K. Velez  
Manager Regulatory Affairs